

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of:)	DOCKET NO. S-21101A-20-0068
OWNZONES MEDIA NETWORK, INC., a)	NOTICE OF OPPORTUNITY FOR HEARING
Nevada corporation, and)	REGARDING PROPOSED ORDER TO CEASE
DANIEL GOMAN, and ALINA GOMAN,)	AND DESIST, ORDER FOR RESTITUTION,
husband and wife,)	ORDER FOR ADMINISTRATIVE PENALTIES,
Respondents.)	AND ORDER FOR OTHER AFFIRMATIVE
)	ACTION

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents OwnZones Media Network, Inc. and Daniel Goman have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that Daniel Goman is a person controlling OwnZones Media Network, Inc. within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as OwnZones Media Network, Inc. for its violations of the antifraud provisions of the Securities Act.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.**RESPONDENTS**

2. OwnZones Media Network, Inc. ("OwnZones") is a corporation organized under the laws of the state of Nevada on October 1, 2013. OwnZones is the surviving company of a merger on October 1, 2013, between OwnZones and an older corporation also named OwnZones Media Network, Inc. The older OwnZones Media Network, Inc. was a corporation organized under the laws of the state of Washington on January 13, 2010. References below to OwnZones prior to October 1, 2013, refer to the predecessor Washington corporation. OwnZones has not been registered by the Commission as a securities salesman or dealer, and none of OwnZones' securities have been registered by the Commission.

3. Since at least January 13, 2010, Daniel Goman ("Goman") has been a married man. Goman was an Arizona resident from on or about July 11, 2013, to at least February 6, 2020. Goman has been the President, the Chief Executive Officer, and a director of OwnZones since it was founded in 2010. Goman has been the only signer on OwnZones' bank accounts since June 25, 2012. Goman has not been registered by the Commission as a securities salesman or dealer.

4. Since at least January 13, 2010, Alina Goman ("Respondent Spouse") has been the spouse of Goman. Respondent Spouse is joined in this action under A.R.S. § 44-2031(C).

5. At all relevant times, Goman was acting for his own benefit and on behalf of and for the benefit of the marital community.

6. OwnZones and Goman may be referred to collectively as "Respondents."

III.**FACTS**

7. OwnZones was previously a subscription-based streaming audiovisual content company, but eventually pivoted to become a digital media supply chain company. OwnZone's principal place of business was in Washington state until at least as early as November 1, 2013,

1 when OwnZones moved its principal place of business to Arizona. OwnZones later moved its
2 principal place of business to California on or about November 1, 2017.

3 8. In 2011 OwnZones began its "Series A" securities offering selling OwnZones stock
4 ("the Offering"), which continued through at least June 29, 2018. OwnZones sold its stock to both
5 Arizona and non-Arizona investors both before and after moving its principal place of business to
6 Arizona. The first OwnZones stock sale to an Arizona investor was made on or about June 27,
7 2013.

8 9. OwnZones' stock sales to Arizona investors plus its stock sales to non-Arizona
9 investors while OwnZones' principal place of business was in Arizona raised a total of at least
10 \$30,074,511 from at least 869 investments. Some of these investors had little or no understanding
11 of what OwnZones' business was, and in 2016 Goman believed that many OwnZones investors did
12 not understand what they had invested in.

13 10. OwnZones' securities sales strategy includes affinity marketing to Romanian
14 immigrants and residents of Romania. This strategy included targeting securities sales to members
15 of an Arizona church attended by Romanian immigrants. Goman is also a Romanian immigrant.
16 OwnZones has so many Romanian investors that it sends investor update emails in both English
17 and Romanian. Goman has estimated that approximately 60% of OwnZones investors are
18 Romanian and that they invested roughly 80% of the funds OwnZones raised.

19 11. Goman personally solicited at least one OwnZones stock investment from a fellow
20 member of his Romanian-American church in Arizona on or about July 11, 2013.

21 12. Goman was personally responsible for finding potential investors, corresponding
22 with them, and handling their investment paperwork until an assistant took over primary
23 responsibility for investor correspondence and investment paperwork in approximately June 2016.
24 Goman continued to be responsible for the final decision on whether new investors were allowed to
25 invest.
26

1 13. Goman signed all subscription agreements and all stock certificates for the
2 OwnZones Offering.

3 14. In approximately June 2016, an OwnZones agent presented an OwnZones
4 investment pitch to potential investors at OwnZones' office in Arizona. The presentation included a
5 video, a slide presentation, and promotional materials. The presentation included mentions of
6 several celebrities, which gave the impression that OwnZones was a player in the entertainment
7 business.

8 15. OwnZones' Offering was made in reliance on a particular exemption from securities
9 regulation, namely, federal Rule 506(b) of Regulation D. This exemption has a strict limit on the
10 number of investors who can participate in the offering without qualifying as accredited investors,
11 specifically a limit of 35 non-accredited investors.

12 16. OwnZones used several strategies to create the illusion that it was complying with
13 this limit of 35 non-accredited investors. These strategies included falsifying subscription
14 agreements to make investors appear to be accredited investors even though OwnZones knew they
15 were not, tricking investors into incorrectly identifying themselves as accredited investors, and
16 encouraging people to invest under the name of an existing investor rather than investing in their
17 own name. Despite these strategies, new securities counsel for OwnZones in 2016 expressed
18 concern about the number of OwnZones investors who were not accredited investors.

19 ***Falsifying Accredited Investor Qualifications***

20 17. Throughout the Offering, OwnZones used substantially similar standardized
21 subscription agreements that included a section requiring investors to state their accredited investor
22 qualifications, if any, by marking a line on the subscription agreement.

23 18. Some OwnZones investors submitted subscription agreements indicating that they
24 were not accredited investors. On at least three occasions, OwnZones falsified those investors'
25 subscription agreements to indicate that the investors were accredited investors based on income.
26 At least one of these falsifications occurred when Goman was solely responsible for processing and

1 filing away investor paperwork. Goman does not remember any instance where an investor
2 originally indicated that they were not an accredited investor in a subscription agreement then
3 provided a corrected subscription agreement to indicate that they were accredited.

4 *Pre-Marking Accredited Investor Qualifications*

5 19. OwnZones sent subscription agreements that were pre-marked to indicate accredited
6 investor status based on income ("Pre-Marked Accredited Agreements") to at least 39 investors.
7 However, OwnZones had no knowledge of the specific incomes of most or all of those investors
8 before sending the Pre-Marked Accredited Agreements because OwnZones generally did not talk
9 to potential investors about their income.

10 20. Goman personally sent Pre-Marked Accredited Agreements to at least 11 investors
11 without knowing whether the investors' income actually met the pre-marked accredited investor
12 income qualification. In at least 9 of those instances, Goman instructed the investor to "only" fill
13 out the name, identifying information, investment amount, and signature block sections of the
14 subscription agreement. Goman thus implicitly instructed those investors not to fill out the
15 accredited investor qualification section of the Pre-Marked Accredited Agreements.

16 21. After moving primary responsibility for handling the Offering documents to an
17 assistant, Goman sent the assistant a sample Pre-Marked Accredited Agreement and sample
18 language for her to send to investors that instructed investors to "only" fill out the name,
19 identifying information, investment amount, and signature block sections of the subscription
20 agreement, without directing the investors' attention to the pre-marked accredited investor income
21 qualification. After a different assistant took over handling the Offering documents in September
22 2017, Goman also instructed that assistant to send potential investors a Pre-Marked Accredited
23 Agreement.

24 22. Some investors who were not accredited investors overlooked the pre-marked
25 accredited investor qualification section that they were not instructed to fill out, and those investors
26 thus unwittingly and incorrectly represented that they were accredited investors.

Sub-Investors

23. OwnZones further obscured the number of non-accredited investors in its Offering, by allowing and sometimes encouraging investments in OwnZones by persons referred to as “sub-investors,” who were investors who invested not in their own name but under the name of an existing OwnZones investor, whom OwnZones referred to as “account holders.” OwnZones and Goman were aware of this sub-investor practice at least as early as February 23, 2016. OwnZones and Goman also knew that the sub-investors included non-accredited investors.

24. OwnZones and Goman allowed and sometimes encouraged investments by sub-investors while continuing to indicate in the subscription agreement that investors could only invest for their own account. OwnZones required investors to represent in their subscription agreements that the investor was “acquiring the [OwnZones] Shares solely for the [investor’s] own account ... and has no agreement, understanding or intention to distribute, sell, transfer or pledge any of the Shares” In fact, OwnZones and Goman were aware at least as early as February 23, 2016, that account holders and sub-investors were using a form agreement by which the account holder agreed to hold the sub-investor’s OwnZones shares and transfer them once OwnZones shares became publicly traded.

25. OwnZones and Goman were also aware at least as early as August 6, 2016, that in some cases account holders defrauded potential sub-investors by taking money from sub-investors for the purpose of an OwnZones sub-investment and instead keeping the money themselves. Despite knowing of such fraud, they continued to allow the sub-investor practice. Goman does not recall OwnZones taking any steps to investigate or remediate this known fraud against sub-investors. OwnZones also had no way to know what account holders told potential sub-investors about OwnZones or whether it was accurate.

26. OwnZones did not keep track of which investments by account holders were actually made on the account holders’ own behalf, so any Offering investment may have been funded by a sub-investor unknown to OwnZones. One OwnZones investor had sub-investors who

1 made at least 73 sub-investments totaling over \$1.7 million, and OwnZones did not know who
2 those sub-investors were.

3 *Omitting Investment Risks*

4 27. OwnZones prepared a risk disclosure document for its Offering. However,
5 OwnZones and Goman failed to provide the risk disclosure document to some investors.
6 OwnZones and Goman also failed to provide any oral risk disclosures to at least four of these
7 investors. OwnZones thus omitted to tell some investors any of the risks of the Offering.

8 *Omitting Goman's Bankruptcy*

9 28. On August 21, 2010, Goman and Respondent Spouse filed for protection under the
10 U.S. Bankruptcy Code, Chapter 13. They filed this petition seven months after OwnZones was
11 founded in January 2010, and just 11 months before OwnZones began its Offering. Goman and
12 Respondent Spouse were not granted a bankruptcy discharge until October 8, 2015. By the time of
13 the discharge, OwnZones had raised approximately \$12.8 million from its Offering.

14 29. The OwnZones document that outlined the Offering described Goman's business
15 background but omitted the Gomans' bankruptcy.

16 **IV.**

17 **VIOLATION OF A.R.S. § 44-1841**

18 **(Offer or Sale of Unregistered Securities)**

19 30. From on or about June 27, 2013, Respondents offered or sold securities in the form of
20 stock, within or from Arizona

21 31. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
22 Securities Act.

23 32. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

33. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

34. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

35. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

- a) OwnZones falsified subscription agreements from non-accredited investors to indicate that the investors were accredited investors;
- b) Respondents sent subscription agreements that were pre-marked to indicate accredited investor status based on income without knowing the actual income of those investors;
- c) Respondents omitted to tell investors the risks of investing in the Offering; and
- d) Respondents omitted to tell one or more investors about the Gomans' August 2010 bankruptcy.

36. This conduct violates A.R.S. § 44-1991.

VII.

CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

37. From September 2, 2010, to the present, Goman has been and/or held himself out as the President, Chief Executive Office, and a director of OwnZones.

38. From at least September 2, 2010, to the present, Goman directly or indirectly controlled OwnZones within the meaning of A.R.S. § 44-1999. Therefore, Goman is jointly and severally liable to the same extent as OwnZones for its violations of A.R.S. § 44-1991 from at least September 2, 2010, to the present.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and
4. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona

1 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be
2 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
3 <http://www.azcc.gov/divisions/hearings/docket.asp>.

4 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
5 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
6 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
7 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
8 Opportunity for Hearing.

9 Persons with a disability may request a reasonable accommodation such as a sign language
10 interpreter, as well as request this document in an alternative format, by contacting Carolyn D.
11 Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov.
12 Requests should be made as early as possible to allow time to arrange the accommodation.
13 Additional information about the administrative action procedure may be found at
14 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

15 **X.**

16 **ANSWER REQUIREMENT**

17 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,
18 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing
19 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
20 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
21 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
22 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

23 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
24 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
25 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
26 addressed to Paul Kitchin.

1 The Answer shall contain an admission or denial of each allegation in this Notice and the
2 original signature of the answering respondent or respondent's attorney. A statement of a lack of
3 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
4 denied shall be considered admitted.

5 When the answering respondent intends in good faith to deny only a part or a qualification
6 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
7 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

8 The officer presiding over the hearing may grant relief from the requirement to file an
9 Answer for good cause shown.

10 Dated this 2nd day of April, 2020.

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13 Wendy Coy
14 Assistant Director of Securities
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